



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

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Argentina

Cotton

Argentine Cotton Situation

1998

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Report Highlights:

Argentine cotton production for MY1998 is projected at 300,000 MT. Planted area is well below previous expectations as result of the sector's delicate economic and financial situation after two consecutive poor crops.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

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PSD Table						
Country:	Argentina					
Commodity:	Cotton					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		08/1996		08/1997		08/1998
Area Planted	0	960000	0	1130000	0	750000
Area Harvested	880000	880000	800000	800000	0	720000
Beginning Stocks	294584	294310	226436	225310	0	213310
Production	325066	325000	304817	300000	0	300000
Imports	1089	1000	13063	5000	0	1000
TOTAL SUPPLY	620739	620310	544316	530310	0	514310
Exports	290012	290000	217727	222000	0	220000
USE Dom. Consumption	102331	103000	105597	93000	0	98000
Loss Dom. Consumption	1960	2000	2177	2000	0	2000
TOTAL Dom. Consumption	104291	105000	107774	95000	0	100000
Ending Stocks	226436	225310	218815	213310	0	194310
TOTAL DISTRIBUTION	620739	620310	544316	530310	0	514310

Argentine cotton production for 1998/99 is projected at 300,000 MT, lower than previous estimates. Through mid-December plantings were at 625,000 hectares from an estimated total of 750,000 hectares. This week's good rainfall should help most producers to finish their plantings by late this month.

Planted area is well down from last year. The main reasons for this are: a) last year's crop was reduced by approximately 40 percent due to "El Nino Effect" which caused vast floodings in the main Argentine cotton region; b) the local cotton complex has gone through two poor consecutive crops, affecting its financial and economic position. Most farmers are dragging large debts, gins are in a very weak situation, ag chemical companies have a lot of debt to collect, etc.; c) weak international prices which discourage plantings plus the fact that a relatively large carry-over is expected to put downward pressure on domestic prices; d) Brazil, Argentina's major cotton buyer, is going through a tight economic situation which will slow down imports; e) other more profitable alternatives such as beans in Salta, soybeans and sunflower in Chaco; and f) the Argentine Government is very delayed in returning the value added tax (IVA) to exporters which restricts their financial capacity to help with plantings.

Production is projected to be similar to the MY1997 crop. However, yields at the farm level are expected to be lower than in normal years as many farmers have just "thrown" seeds on their fields, in many cases without proper soil preparation and it is doubtful their financial capacity will allow them to protect efficiently their plantations. The weather so far has been good, although somewhat dry in the first two weeks of December.

Domestic consumption for 1998/99 is expected to rebound somewhat from MY1997 low level. An

improvement in the world's financial crisis during 1999 is expected to bring greater economic growth and thus consumption.

Exports for MY1998 are forecast at 222,000 MT slightly lower than the previous year. Brazil is still expected to be the largest market, followed by some other Latin American countries (Chile, Peru) and some countries from the South East Asian region.

There are about 30,000 MT of low quality cotton uncommitted which is expected to move slowly and some could even remain as carry in into MY1999. Traders believe this cotton most likely will be shipped to northern Brazil.